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CENTRAL INTELLIGENCE AGENCY

407027

0-2402

8 December 1948

INTELLIGENCE MEMORANDUM NO. 93

SUBJECT: Methods used by Soviet-controlled countries for acquisition of Ball Bearings and other Strategic Commodities.

1. The ECA mission may receive urgent requests from Western European countries to permit shipments of certain strategic commodities to Soviet or Soviet-controlled areas. Such pressure will be based on misinformation that has been furnished to Western European government officials and business houses by representatives of Soviet-controlled countries as to the alleged adequacy of alternative sources of supply open to them.

2. Conclusive evidence shows that countries in the Soviet Orbit, undertaking a unified effort toward rearmament, stockpiling, and development of heavy industry, are stringently handicapped by the lack of anti-friction bearings and are coordinating their efforts to secure this item from Western European countries. Relying on foreign ignorance of conditions within the Soviet area, Soviet agents meet objections on the part of Western European countries to shipment of ball bearings with the allegation that abundant supplies are open to the Satellites from other Satellites or from other Western European sources. Thus, business houses approached are inclined to deal with the Soviet area rather than suffer "needless" loss of business.

Other methods being used to obtain strategic materials are:

- a. Smuggling, principally through Austria and Germany into the Soviet Orbit.
- b. Purchase in Western Europe through blackmarket transactions.
- c. Acquisition and transshipment through dummy Western European purchasing agencies in which self-styled "refugees" from Soviet areas act as a front.

Document No. 001
 NO CHANGE in Class. ☐
☒ DECLASSIFIED
 Class. CHANGED TO: TS S C
 DDA Memo, 4 Apr 77
 Auth: DDA REG. 77/1763

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3. The stringency of the ball-bearing position of the USSR and its satellites is indicated by the following:

- a. The only ball or roller bearing production within the Soviet-controlled area is within the USSR itself. (Bearings cannot be produced without western machines and engineering skills which would have to be imported.)
- b. The Soviet Union produces insufficient bearings for its own economy, let alone that of its controlled area. It is estimated, moreover, that roughly 50% of this inadequate bearing output consists of repaired bearings. The quality, furthermore, is so poor that heretofore, satellite countries, though desperately in need, have been unable to use Soviet products. The Soviet Union has promised to supply Hungary, satellite center of rearmament, with \$350,000 worth of bearings during the present trade-treaty year. This quantity is roughly equivalent to one day's capacity production by any one of the major US concerns; yet the Soviet Union has delivered no bearings to Hungary so far.
- c. In official trade treaties, non-producing satellite countries have made empty promises to supply each other with bearings. This further aggravates the shortages and contributes to an increasing shortage in the future as the treaty countries fail to meet their obligations.
- d. Smuggling activities, primarily from Austria and Germany, are so intense as to require major allied military efforts toward control.

4. Complete evidence on the Soviet-Satellite shortage of other strategic commodities has not yet been completely assembled or analyzed. It is believed, however, that the statements above could be applied with equal validity to other strategic commodities.

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